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Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

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July 25, 2016

To: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: Sachi A. Hamai
Chief Executive Officer

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MAJOR RISK PREVENTION AND CONTROL INITIATIVES

Annually, the County Risk Manager and County Counsel's Litigation Cost Manager present their respective annual reports to the Board of Supervisors (Board) outlining previous fiscal years' claim and litigation costs and recommendations for improvement. This memorandum seeks to provide information to the Board and County of Los Angeles (County) departments of major risk prevention and control initiatives initiated by the Chief Executive Office Risk Management Branch (CEO Risk Management).

Workers' Compensation

Workers' Compensation benefits encompass the largest liability for the County. These can last for several decades after the injury, whereas general liability claims and lawsuits generally end in a few years and have a fixed cost associated with their conclusion. This unique feature of Workers' Compensation creates continuing costs that develop as time proceeds and requires long-range planning and execution of past, present, and future liabilities. To that end, CEO Risk Management has been building a multifaceted approach to preventing, managing, and lowering the overall cost of Workers' Compensation liability.

Analytics

Prior to 2013, the County primarily maintained accounting of the \$350 million in annual Workers' Compensation costs by utilizing spreadsheets and distributing the information to the departments quarterly. In 2013, CEO Risk Management partnered with internal resources to build the first generation of risk data analytics through the creation of an enterprise-wide risk information dashboard. Today all departments can access their weekly updated claim data and trend analysis through the County risk dashboard.

"To Enrich Lives Through Effective And Caring Service"

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Analytics (Continued)

In 2016, CEO Risk Management expanded the dashboard analytics capability by partnering with internal and external resources to create the first generation of Workers' Compensation predictive analytics program. This program is currently deployed to identify provider fraud, over-billing anomalies, and performance enhancements. To date, the analytics program has resulted in two open fraud investigations and identified a billing anomaly that resulted in a \$1,300,000 million ongoing recovery effort. Future enhancements to this system will provide savings to the County through identifying inappropriate provider relationships and partnering with other agencies to increase awareness of structures and anomalies that increase the cost of claims.

Risk Financing

To manage the cost of claims while providing the best possible care for our injured workers, CEO Risk Management has created a Risk Financing plan that focuses on lowering the overall long-term liability of the Workers' Compensation system which currently exceeds \$2.1 billion.

Claim Closure Project

It is a well-known that closing claims fast and permanently costs less than leaving them open for undefined periods of time. Since 2014, CEO Risk Management Workers' Compensation professionals, County Counsel, and Third-Party Administrators (TPAs) have accelerated claim closures through compromise and release settlements and other claim handling techniques resulting in real savings to the County in the amount of \$5,500,000.

Loss Portfolio Transfer Project

The Loss Portfolio Transfer Project lowers the overall cost of risk, stabilizes the volatility experienced with long-term Workers' Compensation claims, and is complimentary to the other risk financing mechanisms we have put in place over the last several years.

The Loss Portfolio Transfer takes specific years of claims and transfers them into a "Special Excess Insurance Policy" which alleviates all County liability for those claims. The claims are "transferred" to an insurance company that administers the benefits in accordance with California law and pays the claims. The process requires analytical, actuarial, legal, and financial analysis by the County and insurers to verify the feasibility of performing the transfer.

In 2016, CEO Risk Management will finalize the feasibility study and move to complete the Loss Portfolio Transfer for claims dating back more than 30 years if the transaction is in the best interest of the County.

Risk Control and Prevention

The best way to manage the cost of Workers' Compensation claims is to prevent them from happening. Each supervisor, manager, and executive has the responsibility to ensure the safety and health of our employees. CEO Risk Management staff provides departments various levels of expertise, resources, and industry knowledge to aid in lowering the frequency and severity of injuries. To better address countywide injury prevention efforts, CEO Risk Management will make aggressive improvements to our digital footprint and our online interactions with executives, managers, and employees. These improvements will be incorporated into the following three projects:

1. In the first quarter of Fiscal Year 2016-17, we will launch a redesigned and interactive Risk Management website. The new website will create and support an on-demand, cutting-edge, online user-centric communication vehicle. The goal is to improve organizational effectiveness by enabling users to access information how, where, and when they need it.
2. In the second quarter of Fiscal Year 2016-17, we will create a suite of online Risk Management training and education materials. Focus is on developing programs that include 5-minute informational videos, interactive webinars, and detailed Risk Certification Series for advanced learning.
3. Utilizing the County's existing expertise on application development, a Risk App will be developed in the third quarter of Fiscal Year 2016-17. The first development of the Risk App centers around vehicle accident reporting which allows for immediate upload of pictures, location and accident details providing for timely reporting and claims investigation. The second feature is an interactive reference tool for injured employees to find payment status, medical bills paid (provider fraud detection tool); adjuster contact information and other useful information to encourage timely claim closure and improved communication.

Workers' Compensation Administration

The Workers' Compensation TPAs use the County's contracted ClaimsVision system to manage and pay Workers' Compensation obligations. CEO Risk Management is aware that each TPA maintains a specialized claims management system to administer California Workers' Compensation claims. These claims management systems are updated to comply with the ever-evolving industry needs and technological advancements. Currently, the County does not leverage the TPA claims management systems. This practice does not represent a best-practices model for the administration of Workers' Compensation claims.

Workers' Compensation Administration (Continued)

CEO Risk Management will partner with County stakeholders to layout best practices and incorporate the new requirements into a Request for Proposals for Workers' Compensation TPA Services that is due to be released in early 2017.

Some of the benefits anticipated from this new TPA contract include:

- Digitalization of the Workers' Compensation files into the TPAs' systems;
- Increased audit capability using improved analytics and paperless systems;
- Independent audit capability to perform Service Organization Control audits to evaluate internal controls and financial statements;
- Improved TPA efficiency through the use of claim management systems designed and maintained by in-house information technology teams specializing in Workers' Compensation and paperless systems;
- Expedited communication through injured worker portals that promote early return to work, fraud prevention, and customer satisfaction; and
- Advanced fraud and waste detection by applying the CEO Risk Analytics program to large amounts of Workers' Compensation transactional data.

CEO Risk Management will continue updating the Board on these and other projects as they are completed.

If you have any questions, please have your staff contact Steven T. Robles, County Risk Manager, at (213) 351-5346.

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c: All Department Heads